

ORIGINAL

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

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Docket No. MC98-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS SECKAR TO INTERROGATORY OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T2-21)

The United States Postal Service hereby provides the response of witness Seckar to the following interrogatory of the Office of the Consumer Advocate: OCA/USPS-T2-21, filed on January 26, 1999.

The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

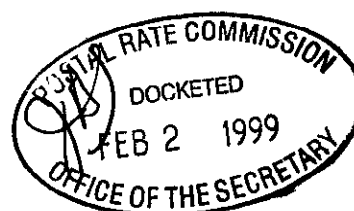
UNITED STATES POSTAL SERVICE

By its attorneys:

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February 2, 1999



RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO
INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-21. Please refer to your Updated Response to Question Posed by Presiding Officer at the November 20, 1998 Hearing, dated January 14, 1999. In this response, you state that, "[I]ncremental costs include both the one time information technology costs needed to start the experiment and the variable information technology costs for each experimental year." In USPS-T-2 at 9, lines 5-7, you state that: "The Mailing Online cost equation consists of two types of costs, both of which are attributable. The first contains the start-up and recurring costs incurred first-hand by the Postal Service."

- a. Comparing both of these statements, is it fair to say that you believe that:
- i. one time information costs are equivalent to start-up costs,
 - ii. and variable information costs are equivalent to recurring costs, and
 - iii. incremental costs are equivalent to attributable costs?

If you disagree with any of these characterizations, please explain.

- b. Would it be correct to say that your definition of attributable costs is essentially the same as that articulated by the Commission at paras. [4016-18, and 4024] of PRC OP. R97-1; i.e., (1) that attributable costs consist of marginal plus specific fixed costs; (2) that incremental costs come closest to the definition of attributable costs; and (3) that the attributable (or incremental) costs of a subclass are those that should be marked up to determine rates? If you do not agree, please explain.

RESPONSE:

- a. In my Updated Response to Question Posed by Presiding Officer at the November 20, 1998 Hearing, I state, "These incremental costs include both the one time information technology costs needed to start the experiment and the variable information technology costs for each experimental year." This sentence was simply intended to point out that the incremental cost estimates that were being updated included both types of information technology costs provided by witness Lim.

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At page 9, lines 5-8 of USPS-T-2, I state that: "The Mailing Online cost equation consists of two types of costs, both of which are attributable. The first contains the start-up and recurring costs incurred first-hand by the Postal Service. The second contains printing, inserting, and transportation costs incurred by a print provider with whom the Postal Service will contract." It is worth noting that my testimony and associated costs focused on the second type of cost, Mailing Online (MOL) printing costs, rather than information systems/technology costs. The phrase "both of which are attributable" thus was designed to indicate that the contractual printing costs and not just the costs "incurred first-hand by the Postal Service" should be assigned to MOL. Within this context, the purpose of these sentences was to convey the general thinking of causation that I undertook in identifying MOL print costs.

The comparison of these statements out of context can be somewhat misleading, and I do not agree with your characterizations of my testimony. Within the specific context of the MOL case, the one time information technology costs are defined as those which are necessary to initiate the MOL experiment. Additionally, based on the definitions used specifically in the MOL case, variable information technology costs are defined as those which are *not* necessary to initiate the MOL experiment, but rather arise once the experiment begins.

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- b. As discussed in my response to part (a), I used the word “attributable” in USPS-T-2 at 9, lines 5-8 as a common-sense term, not as a term of art that would contradict or conform to the Commission language. Thus, I have no reason to disagree with the Commission’s definition of attributable costs, nor do I have any reason to disagree with the Postal Service’s position in the R97-1 docket. Similarly, I do not have an expert opinion on the relationship of the Commission’s definition of “attributable costs” to the term incremental costs. Moreover, I am not a pricing witness, and have no expert opinion as a cost witness as to what cost should be marked up to determine rates.

DECLARATION


I, Paul G. Seckar, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Paul G Seckar

Dated: 2/2/98

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



David H. Rubin

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